

184646

MCNAIR LAW FIRM, P.A.
ATTORNEYS AND COUNSELORS AT LAW

www.mcnair.net

BANK OF AMERICA TOWER
1301 GERVAIS STREET, 11TH FLOOR
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11390
COLUMBIA, SOUTH CAROLINA 29211
TELEPHONE (803)799-9800
FACSIMILE (803)376-2219

February 26, 2007

The Honorable Charles Terreni
Chief Clerk and Administrator
South Carolina Public Service Commission
Post Office Box 11649
Columbia, South Carolina 29211

COPY
To: DDWile
Dept: SA
Date: 2/26/07
Time: _____

Re: Application of Chem-Nuclear Systems, LLC (SCPSC Docket No. 2000-366-A)
(Fiscal Year 2006-2007 Proceeding)

Dear Mr. Terreni:

Enclosed herewith for filing with the Commission, please find twenty-five (25) copies of the prefiled Direct Testimony of James W. Latham on behalf of Chem-Nuclear Systems, LLC, which testimony is filed pursuant to the Commission's notice dated December 13, 2006 in the above-captioned docket.

Should you have any questions with respect to this testimony, please do not hesitate to contact me.

Very truly yours,

Robert T. Bockman
Robert T. Bockman

Enclosures

cc: Mr. Dan F. Arnett (w/encl.)
The Honorable Frank Fusco (w/encl.)
The Honorable C. Earl Hunter, (w/encl.)
The Honorable Max K. Batavia (w/encl.)
The Honorable Henry D. McMaster (w/encl.)
Hana Pokorna-Williamson, Esquire (w/encl.)
Florence P. Belser, Esquire (w/encl.)

RETURN DATE: OK D. D. Wile
SERVICE: OK D. D. Wile

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2000-366-A

IN RE: Application of Chem-Nuclear Systems,)
LLC, a Division of Duratek, Inc., for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs)
_____)

**CERTIFICATE
OF SERVICE**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the Prefiled Direct Testimony of James W. Latham upon the following parties of record by causing said copies to be deposited with the United States Mail, first class postage prepaid and addressed as follows:

Hana Pokorna-Williamson, Esquire
Acting Consumer Advocate
State of South Carolina
Post Office Box 5757
Columbia, South Carolina 29250-5757

The Honorable Henry Dargan McMaster
Attorney General
State of South Carolina
Post Office Box 11549
Columbia, South Carolina 29211

The Honorable Max K. Batavia
Atlantic Compact Commission
1201 Main Street
Suite 826
Columbia, South Carolina 29201

The Honorable Frank W. Fusco
Executive Director
South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

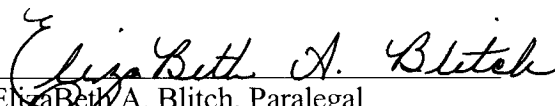
Florence P. Belser, Esquire
General Counsel
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

The Honorable C. Earl Hunter
Commissioner
SCDHEC
2600 Bull Street
Columbia, South Carolina 29201

RECEIVED
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

2007 FEB 26 PM 3:43

RECEIVED


ElizaBeth A. Blitch, Paralegal
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 753-3319

February 26, 2007

Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2000-366-A
(Year 2006-2007 Proceeding)

DIRECT TESTIMONY
OF
JAMES W. LATHAM
FOR
CHEM-NUCLEAR SYSTEMS, LLC

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

- A.** My name is James W. Latham. My business address is 740 Osborn Road, Barnwell, South Carolina. I am employed by Chem-Nuclear Systems, LLC (Chem-Nuclear), a wholly-owned subsidiary of EnergySolutions. I am Chem-Nuclear's President and, concurrently, its Vice President for Barnwell Operations. As Vice President for Barnwell Operations, I am responsible for the safe and proper disposal of low-level radioactive waste received at the disposal facility in accordance with the company's South Carolina Radioactive Material License. I am also responsible for management, supervision and administration of disposal operations personnel, equipment, and buildings. I am frequently a key point of contact between the company and local community leaders and members of the public. I have been in my current operations position in Barnwell since July 1996.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from the United States Naval Academy with a Bachelor of Science degree. I served in the United States Navy for twenty (20) years in various assignments associated with nuclear powered submarines. I have worked for Chem-Nuclear since 1989. From 1989 to 1991, I was a project manager planning and directing field projects for Chem-Nuclear. I was assigned to Chem-Nuclear's new disposal site development office in Harrisburg, Pennsylvania, from 1991 to 1996. During my five (5) years in the Pennsylvania Project Office, I held a number of positions including engineering director, deputy project manager, and acting project manager. I have been at Chem-Nuclear's disposal facility in Barnwell since July 1996, first as General Manager for Disposal Operations and then as Vice President for Barnwell Operations. I was assigned the concurrent position of Chem-Nuclear's President in August 2006.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE PUBLIC SERVICE COMMISSION?

A. I previously provided testimony at Public Service Commission proceedings regarding disposal site allowable costs in 2002, 2005, and 2006.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will provide information to the Commission about the disposal site and facility operations as those matters relate to disposal of low-level radioactive waste at the disposal facility located in Barnwell County, South Carolina. I will provide a brief background on the general process we have used in this proceeding for identifying the allowable costs associated with our low-level radioactive waste disposal business. My

testimony will also focus on the principal differences in categories of costs between costs we actually incurred in Fiscal Year 2005-2006 and the costs identified in Commission Order 2006-328. We are only seeking adjustment to the irregular costs incurred in Fiscal Year 2005-2006. Finally, my testimony will summarize the costs we are requesting the Commission to identify as allowable for Fiscal Year 2006-2007.

Q. PLEASE DESCRIBE THE DISPOSAL SITE.

A. Chem-Nuclear operates a low-level radioactive waste (LLRW) disposal facility located approximately five (5) miles west of the City of Barnwell in Barnwell County, South Carolina ("Barnwell Site"). The closest municipality to the disposal site is the Town of Snelling. Chem-Nuclear has operated the disposal site since 1971 continuously with no interruptions or regulatory shutdowns. How we operate today has evolved over thirty-five (35) years. We are proud of what we have learned and we are proud of our safety record. The disposal site comprises approximately two hundred thirty-five (235) acres of property owned by the State of South Carolina and leased by Chem-Nuclear from the South Carolina Budget and Control Board (SC B&CB). The 235-acre licensed disposal area is divided into different use categories including active trenches, completed trenches, potential trench areas, and ancillary facility, water management and buffer zone areas. Approximately ninety-seven (97) acres of multi-layer earthen caps consisting of layers of compacted clay, bentonite, high-density polyethylene, sand, cover soils, top soils and shallow-rooted vegetation (grasses) have been installed on completed trenches.

The disposal site could not be operated successfully without an experienced and talented group of employees. They are critically important to the safe and compliant operation of the disposal site. Many of Chem-Nuclear's employees at the disposal site have

been with the company for twenty (20) years or more. Attracting and retaining high quality, well-motivated personnel is an integral part of successful, safe and regulatory compliant disposal of LLRW.

Q. PLEASE DESCRIBE BRIEFLY THE STATUTORY AND REGULATORY BACKGROUND FOR CHEM-NUCLEAR'S APPLICATION THAT IS THE SUBJECT OF THIS HEARING.

- A. This is the sixth hearing conducted by the Commission in this docket to fulfill its responsibilities under the "Atlantic Interstate Low-level Radioactive Waste Compact Implementation Act" of 2000 (the "Act"). As required by the Act, the Commission has held formal proceedings annually and published orders after hearings in this docket by which the Commission has identified Chem-Nuclear's "allowable costs." By that determination as provided by the Act, Chem-Nuclear is able to recover costs it incurs for operations in the disposal of LLRW at its Barnwell Site.

Over the previous five (5) hearings, and as the Commission's orders demonstrate, the Commission has relied on the evidence to make numerous determinations with respect to which of our costs are to be properly considered as "allowable," and the Commission has consistently refined its decisions on the issues. As a consequence, many of the issues that the parties and the Commission addressed in previous proceedings have been resolved and the orders represent the precedents upon which we have relied in preparing our Application and evidence in this case.

Q. PLEASE EXPLAIN THE GENERAL CONCEPT THAT CHEM-NUCLEAR'S APPLICATION AND EVIDENCE EMBODY IN THIS PROCEEDING.

- A. Our Application and our evidence in this case represent a similar approach to what was used in last year's case. That approach incorporates the separation of costs into the three (3) categories that were identified in the Collaborative Review of Chem-Nuclear's Operations and Efficiency Plan that the Commission approved and which the Commission has directed Chem-Nuclear to use by previous orders in this Docket. Those three (3) categories are fixed costs, variable costs and irregular costs. Our Application and evidence also reflect the full use of the accounting system the Commission previously approved. That accounting system enables us to capture and track the separated costs as we incur them and incorporate the data effectively in our internal monthly data reports and in our exhibits to the Application and our evidence.

The actual data collected in the three (3) cost categories for Fiscal Year 2005-2006 provide information to adjust the projected costs this Commission identified as allowable in Commission Order 2006-328 to reflect actual operations experience. My testimony will identify the areas where we are seeking adjustments for Fiscal Year 2005-2006.

Q. PLEASE DESCRIBE THE MANNER IN WHICH CHEM-NUCLEAR TREATS "ALLOWABLE COSTS" UNDER THE REGULATORY PROCESS ESTABLISHED BY THE ACT.

- A. Chem-Nuclear's method for seeking adjustments to the costs identified by the Commission in its orders is different from the regulatory treatment of other regulated entities. First of all, the Act does not provide for the Commission to determine our revenue requirements, including rate of return, based on a test year and fix our rates or charges to enable Chem-Nuclear to recover its revenue requirements. Under the Act, the Commission is not responsible to evaluate our revenue or to fix rates and charges. The Act empowers the

Commission to identify our “allowable costs,” and we deduct this total (including a statutory operating margin applied on some costs) from the annual amount paid to the State.

At the end of each fiscal year, we compare the costs we actually incur to operate the site to the costs previously identified as allowable in the Commission’s order for that year. We only use the actual costs incurred as the amount that we request the Commission to identify as allowable in the following proceeding. That means that if we do not actually spend as much as the Commission has allowed for a particular cost category, then we only use the actual amount spent in determining the allowable cost for Chem-Nuclear at the end of the year. If we were to spend more than the identified amount, we apply to the Commission to recover the extra cost in the subsequent fiscal year. Chem-Nuclear sometimes carries costs for a year or more until the Commission rules on our Application to recover them.

Q. PLEASE EXPLAIN HOW THE PROCESS WORKS BY USE OF AN EXAMPLE.

- A.** Vault cost recovery is a good illustration of the method. Each year, the Commission determines variable vault cost rates for standard disposal vaults that are dependent on the number of cubic feet of waste in four (4) classifications received at the site (Class A, Class B, Class C, and Slit Trench waste). That “variable vault cost rate” can be used to forecast the vault costs in the next year, based on the volume of waste received in each category. However, it is difficult to predict accurately by waste classification the volume and mix of waste that will be received in any given year. Therefore, the variable vault cost rate will sometimes forecast a dollar amount for vault costs that is in excess of the actual amount spent. In such cases, the actual amount spent is used to determine Chem-Nuclear’s cost

recovery and fee, not the higher amount forecast by the variable vault cost rate. If the situation were reversed, that is, if the vault costs exceeded the level previously identified by the Commission, Chem-Nuclear would seek to recover the additional amount that we actually spent as part of the application for allowable cost recovery for the subsequent fiscal year in the next year's Commission proceeding.

Q. PLEASE EXPLAIN HOW THE ALLOWABLE PORTION OF CORPORATE GENERAL AND ADMINISTRATIVE (G&A) COSTS IS DETERMINED.

- A.** There are three (3) components to the Corporate G&A Costs identified in our Application. These components and their respective allocation methods are: Corporate SG&A (total cost basis), Corporate Information Systems (IS) allocation (based on the number of computers), and Columbia SG&A allocation (based on the number of disposal site personnel located in the company's Columbia, South Carolina office). This year, the Office of Regulatory Staff conducted a detailed audit of the pool of costs that formed the basis for Chem-Nuclear's G&A allocation to identify costs that were allowable and costs that were unallowable under the statute. Chem-Nuclear recognizes this approach is different than the approach taken in previous years and we amended our Application to reflect the allowable G&A costs identified by this method.

Q. WHAT ALLOWABLE COSTS ARE INCLUDED IN G&A?

- A.** Corporate SG&A costs are allocated to each business unit on a total cost basis. The pool of costs that forms the basis for the Corporate SG&A Allocation is made up of twenty-four (24) separate projects. Of those projects, eleven (11) are considered non-allowable. These eleven (11) non-allowable projects made up forty percent (40%) of the total pool in Fiscal Year 2005-2006.

The thirteen (13) projects in the allowable pool include costs for Corporate Facilities, Corporate Executive management, Contracts and Finance, Contracts Legal Support, Human Resources Corporate Support, Accounting Corporate Support, Regulatory Affairs and Environmental, Safety, Health and Quality Assurance Corporate Support. The total costs for the thirteen (13) projects in the allowable pool were \$17,561,208.82. Within the 13 projects in the allowable pool, however, non-allowable costs of \$255,399.67 were identified resulting in an allowable Corporate SG&A pool of \$17,305,809.15. The total cost allocation factor applied to this amount was 5.7% which (when \$17,481.52 of decommissioning cost G&A allocation was removed) resulted in allowable Corporate G&A costs of \$968,949.60.

The Corporate IS costs are allocated based on the number of computers in use within each business unit. The allowable costs allocated to the disposal site in this category were \$185,745.59.

Columbia SG&A costs are allocated to business units based on the number of each respective business unit's employees located in the company's Columbia, South Carolina office. The allowable costs allocated to the disposal site in this category were \$48,465.19. The total allowable Corporate G&A allocations for Fiscal Year 2005-2006 were \$1,203,160.38.

Q. PLEASE DESCRIBE THE ALLOWABLE COSTS INCURRED IN FISCAL YEAR 2005-2006 AND COMPARE THOSE COSTS TO THE AMOUNTS IDENTIFIED IN COMMISSION ORDER 2006-328.

- A. This part of my testimony will focus on the principal differences in categories of costs between costs we actually incurred in Fiscal Year 2005-2006 and the costs identified in

Commission Order 2006-328. We are only requesting an adjustment to the irregular costs incurred in Fiscal Year 2005-2006.

Fixed Costs

Actual fixed costs incurred in Fiscal Year 2005-2006 were \$154,199 less than the fixed costs identified in Commission Order 2006-328. The primary reasons the actual fixed costs were less than the amount in the Order are lower non-labor costs and lower insurance costs. Total fixed costs in Fiscal Year 2005 -2006 were \$7,603,972. Chem-Nuclear is not requesting an adjustment in this category of cost.

Variable Material (Vault) Costs

The amount of actual variable costs incurred in Fiscal Year 2005-2006 for standard disposal vaults were \$172,572 less than the amount calculated using rates identified in Commission Order 2006-328.

Costs incurred each year for standard concrete disposal vaults are affected by a number of factors including the size and shape of waste packages received and the number and type of vaults used for routine waste disposal. Each year, variable material cost rates (in dollars per cubic foot) for concrete disposal vaults have been developed for Class A waste, Class B waste, Class C waste, and Slit Trench waste. The rates developed can then be used as one (1) predictor of the cost of vaults for the following year based on the various volumes of waste received in each waste classification and slit trench waste volumes; however, actual costs for the disposal vaults are known and measurable at the conclusion of the year. Actual costs of \$1,610,066 were incurred for concrete disposal vaults used for routine shipments of radioactive waste in Fiscal Year 2005-2006.

Q. PLEASE EXPLAIN WHY AVERAGE VAULT LOADING ALONE MAY NOT BE A GOOD PREDICTOR OF VAULT COSTS.

- A.** Vault loading in each of the three (3) standard concrete disposal vaults (rectangular vaults, cylindrical vaults, and slit trench vaults) may be a general indicator of disposal operations efficiency, but other factors related to the characteristics of the waste packages received tend to have a stronger affect on the determination of vault costs per unit volume of waste. As previously mentioned, the size and shape of waste packages received affect vault loading. The package dose rates, disposal site license requirements to segregate stable and unstable wastes, handling precautions to maintain waste package integrity, and overall waste classification also affect how the vaults are loaded. We do, however, examine average vault loading each year. The following table summarizes vault utilization in Fiscal Year 2005-2006:

| Trench/Vault Type | Number of Vaults | Average Volume Per Vault Type and Trench | Total Volume |
|-------------------------------|-------------------------|---|---------------------|
| Trench 86/ rectangular vaults | 27 | 273.9 | 7,395 |
| Trench 86/ Cylindrical | 73 | 147.5 | 10,766 |
| Trench 86/ Irregular vaults | 2 | 219.7 | 439 |
| Trench 94/ Cylindrical | 192 | 124.2 | 23,851 |
| Trench 97/ Cylindrical | 12 | 120.3 | 1,444 |
| Slit Trenches | 19 | 57.5 | 1,093 |
| Total Volume | | | 44,988 |

The average volume per vault in Fiscal Year 2005-2006 was consistent with and slightly improved from previous years' vault loading.

Q. PLEASE CONTINUE WITH YOUR EXPLANATION OF ALLOWABLE COSTS INCURRED IN FISCAL YEAR 2005-2006.

- A.** I will continue with the variable labor and non-labor costs.

Variable Labor and Non-Labor Costs

In addition to the variable costs associated with disposal vaults, Commission Order No. 2006-328 identifies variable cost rates associated with five (5) categories of activities: disposal vault purchase, inspection and placement; handling of Class A, Class B and Class C waste shipments; slit trench offload operations; waste acceptance; and waste shipment scheduling and disposal records maintenance. Each of these rates is associated with an independent variable (number of vaults, number of shipments buried, number of slit trench offloads, or number of waste containers buried). The variable labor and non-labor rates identified in Commission Order No. 2006-328 predicted variable labor and non-labor costs within about 12.5% of the actual variable labor and non-labor costs incurred. Actual costs of \$653,140.37 were incurred for variable labor and non-labor expenses in Fiscal Year 2005-2006. This amount is \$93,177.14 less than the amount calculated using the rates identified in Commission Order No 2006-328.

Irregular Costs

Not all irregular costs for the year are known and measurable at the time a Commission order is issued. Irregular costs are costs incurred for projects that may not occur each year or costs for projects that occur each year but with varying costs. Each year irregular cost projects with varying costs include trench construction, site engineering and drawing updates, and other site construction projects. Examples of projects that may not recur each year are irregular component disposal, site assessments and license renewal proceedings and hearings. Total irregular costs incurred for Fiscal Year 2005-2006 were \$365,021 more than the total irregular cost amount identified in Commission Order 2006-

328. We are, therefore, requesting the Commission to identify the amount of \$570,484 as allowable.

Actual Irregular Costs Detailed by Projects

Costs to dispose of irregular components (Norfolk Naval Shipyard refueling equipment) were not all known at the time of last year's audit. Consequently, only those costs that were known and measurable were included in the Order. The total costs incurred to dispose of these irregular components were \$41,282.25.

Actual costs for design, construction, and backfilling various trenches were \$226,459.42. Trenches included in this amount for Fiscal Year 2005-2006 were all or parts of: Trench 86, Trench 94, and Slit Trenches 24, 25, 26, 27, 28, 29, 30, 31, and 32. Costs for all of these trenches were not known and measurable at the time of the Order. The large number of slit trenches reflects a high level of activity in slit trench offloads as well as an effort to fully utilize areas of the site bounded by previously constructed trenches.

Costs incurred for decontamination and corrective actions were not included in the basis for the Order. Actual costs of \$24,740.52 were incurred in this category.

Costs for various well abandonment work were not included in the basis for the Order. From time to time, the South Carolina Department of Health and Environmental Control (DHEC) approves the abandonment of certain environmental monitoring wells. Actual costs for abandonment of three (3) deep environmental wells and twelve (12) other environmental monitoring wells in accordance with DHEC regulations were \$33,677.48.

Site engineering and drawing updates include four (4) primary endeavors: Site drawing updates; design evaluation of routine disposal vaults; custom vault design review;

and alternate trench construction options. The actual costs of \$63,428.88 were more than the amount included in the basis for the Order.

Miscellaneous irregular projects included costs for activities related to puncture stand relocation planning and Trench 86 initial clay cap evaluation. The costs incurred in Fiscal Year 2005-2006 for these activities were \$6,936.83, and were not included in the Order because they were not then known and measurable.

Chem-Nuclear labor and related costs associated with the disposal site license renewal and the subsequent appeal were on-going at the time of last year's proceedings and were not known and measurable at the time of the Order. We also responded to questions from the United States Nuclear Regulatory Commission and the General Accountability Office (GAO) regarding disposal site operations. The actual costs incurred for these irregular project tasks in Fiscal Year 2005-2006 were \$66,733.72.

Costs to prepare special reports requested by the SC B&CB Staff were tracked as an irregular project. These costs were not known and measurable at the time of the Order and the actual costs incurred in Fiscal Year 2005-2006 were \$898.35.

During Fiscal Year 2005-2006, Chem-Nuclear began reducing its number of employees based on reduced volumes of waste as provided in the Act. The Chem-Nuclear Human Resources Policy Manual includes a severance pay plan. Eligible employees receive one (1) week of severance pay at their base hourly rate at the time of separation for every full six (6) months of continuous service. There were three (3) eligible employees who were part of this involuntary reduction during the fiscal year. The total severance pay plan provided was \$94,492. Severance costs were not included in the Order.

Other irregular costs include costs for special waste tracking requests from customers and regulatory agencies and special projects related to site technical performance as directed by DHEC. Actual costs incurred for these activities were \$11,834.16 which is less than the amount anticipated in the Order.

Q. PLEASE DESCRIBE THE COSTS PROPOSED FOR FISCAL YEAR 2006–2007.

- A.** The fixed labor costs (labor and fringe costs) proposed for Fiscal Year 2006-2007 are based on actual fixed labor costs incurred in Fiscal Year 2005-2006 with a normal labor increase of three and a half percent (3.5%) applied. Non-labor fixed costs for Fiscal Year 2006-2007 were based on actual non-labor fixed costs incurred in Fiscal Year 2005-2006 increased by two percent (2%). Corporate allocations (G&A) were increased by three and a half percent (3.5%) from actual costs incurred in Fiscal Year 2005-2006 to Fiscal Year 2006-2007 because many of these costs are labor-related at the corporate level. Insurance costs proposed for Fiscal Year 2006-2007 are based on costs for the preceding year increased by three and a half percent (3.5%) and equipment rental/lease costs were increased by three and a half percent (3.5%).

Fixed costs to which the statutory operating margin does not apply include intangible asset amortization, employee retention compensation program costs and legal expenses. Intangible asset amortization costs do not increase from one year to the next. The employee retention compensation program costs proposed for 2006-2007 are ninety-five (95%) of the costs incurred in Fiscal Year 2005-2006, and legal expenses were estimated to be increased from the costs incurred in Fiscal Year 2005-2006 because of the continuing license renewal appeal process.

Total fixed costs proposed for Fiscal Year 2006-2007 are \$7,859,171.

Proposed Irregular Costs

As discussed earlier, not all irregular costs were known and measurable at the time the Application was submitted. A total of \$209,766 in various irregular project costs is summarized in Exhibit C to our Application.

Proposed Variable Labor and Non-Labor Cost Rates

Actual variable labor and non-labor costs incurred in Fiscal Year 2005-2006 in variable cost projects increased by three and a half percent (3.5%) from the basis for new variable cost rates for proposed for Fiscal Year 2006-2007 as shown in Exhibit C to our Application.

Proposed Variable Material (Vault) Cost Rates

The actual variable cost rates for concrete disposal vaults used in Fiscal Year 2005-2006 were calculated using the same method as previous years. These Fiscal Year 2005-2006 actual rates were increased by three and a half percent (3.5%) based on continuing vault construction material costs being experienced by our vault supplier as shown in Exhibit C to our Application.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.